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THE VALUE OF THE "GREENBACKS" DURING THE CIVIL WAR.

ON the last day of the year 1861 suspension of specie payments by the Treasury of the United States notified the country that the government was no longer able to meet its obligations in coin. The natural result was to lessen the value of the paper money; for the community did not esteem promises to pay gold which could not be kept as equivalent in value to gold itself. Heretofore the circulation had consisted partly of coin, partly of paper money. The fall in the value of the latter now disturbed the parity between the two; coin being the dearer disappeared from circulation, and paper was left the sole standard of payments.

Two weeks after suspension, gold began to be bought and sold in New York like an ordinary commodity. January 13, 1862, it was quoted at a premium upon the stock exchange. The same day a meeting of brokers in the "coal hole" on Williams street, started what developed into the "gold room." Dealing in gold became a regular business in both of these places. Their daily quotations—reported the country over—gave the value of 100 gold dollars in United States notes. When the quotation was 200, that number of paper dollars was required to purchase $100 gold;—that is, there was a premium of 100 upon gold, and the specie value of the greenback dollar was but fifty

cents. We possess, therefore, in the gold quotations of these markets a record of the changes in the gold value of the United States notes. Since the record is comparatively complete and trustworthy, it furnishes material for studying the depreciation of our paper money.

A study of the cause of the fluctuations of the premium, based upon this material, resolves itself into an analysis of the influences felt on the stock exchange and in the "gold room." Since the premium was the ratio between gold and greenbacks, and changed with fluctuations in the value of either, these influences fall into two classes: those affecting the valuation of gold on the one side, and of greenbacks on the other.

But brief attention need be given to the first category. During the war many men, Secretary Chase among them, refused to admit that the high premium was due to depreciation of the paper money, attributing it instead to a rise in the value of gold caused by nefarious speculation.[1] The assertion of a great rise in the value of gold, however, can hardly be credited in the face of the evidence borne by exports of precious metals and by prices. When specie was driven out of circulation by the depreciation of the paper currency, the country's monetary demand for the precious metals ceased. Of course this tended to depress their value in America, and the great outward flow of gold and silver that followed shows the effect. In the fiscal year 1861 imports of the precious metals had exceeded exports by 14.9 million dollars; but in 1862 exports exceeded imports by 21.5, and in 1863 by 56.6 millions.[2] Gold was sent abroad so largely because it had become the cheapest article in which to pay for foreign goods.[3]

Equally decisive is the testimony of the price tables. If the

[1] This was the view generally taken by the treasury officials. See *Finance Reports* of 1862, pp. 13–14 (Chase); 1864, pp. 22–23 (Fessenden); and *ibid.*, pp. 52–53 (McCulloch).

[2] *Statistical Abstract of the United States*, 1895, p. 60.

[3] This fact was noticed and commented upon at the time. Cf. *Hunt's Merchants' Magazine*, vol. xlvii. p. 152; vol. xlviii. p. 224.

"gold room gambling" actually caused a rise of gold, prices of commodities reckoned in gold must have fallen. But such was not the case. On the contrary, specie prices rose, showing that the exchange value of gold instead of rising, actually fell.[1] This accords with the evidence of the gold exports; taken together, they effectually dispose of the theory which explains the premium as the effect of a rise of gold engineered by mercenary speculators.

This conclusion, however, that gold was not increasing in value during the war, does not exclude the possibility of temporary rises due to changes of supply and demand in the local market. Indeed, it is quite certain that these forces, especially in quiet times, influenced the premium.[2] And, as Black Friday

[1] See table of gold prices in the *Report on Wholesale Prices, Wages, and Transportation*, from the Senate Committee on Finance, March 3, 1893, part I. p. 99.

[2] New York's supply of gold came mainly from inland towns and from California. Receipts from the latter source, it is true, fell from 32.6 million dollars in 1861 to 10.3 millions in 1863, because of danger of capture by Confederate cruisers that haunted the track of the Aspinwall steamers. But this simply meant that gold destined for export was shipped directly from California under a foreign flag, instead of being brought through New York as heretofore. While the shipments from California to New York declined 22.3 millions between 1861 and 1863, the shipments to England increased 24.4 millions.—See tables of exports of specie from San Francisco in *Commercial and Financial Chronicle*, vol. ii. p. 135; and *Hunt's Merchants' Magazine*, vol. liv. p. 96.

Demand for gold in New York was mainly either for payment of customs duties or for export. The foreign demand varied from 3 to 13 millions per month. A comparison between the customs receipts for the port and the premium shows that in twenty-four of the forty-eight months of 1862–5 they fluctuated in opposite directions. Such purchases, however, when the market was free from more powerful influences, sometimes affected the premium; and that the export demand had similar effects is sufficiently shown by the fact that news that the Bank of England had raised its discount rate could send up the premium because it made larger exports to England probable.—See money article of New York *Times* for December 17, 1863; February 3, 1864; and May 17, 1864. For receipts of the New York customs house, see *Commercial and Financial Chronicle*, vol. ii. p. 230.

It was a fact noted at the time that what influences this market demand and supply had upon the premium was often in the direction of moderating instead of increasing the fluctuations. When the premium rose sharply, gold that had been hoarded would be sent to be sold on the stock exchange in order to get the benefit of the high price. At this high price, however, importers would find it unprofitable to buy the gold they required to pay customs duties or to remit abroad. Thus, demand would

showed, it was not impossible for a strong clique of speculators to "corner" the local supply of gold and cause a dramatic advance of the premium. But the effect of such operations was necessarily temporary. Unless the clique could persuade the public that there was some real reason for a low valuation of the government's notes in comparison with gold, they could not long maintain an artificial rise. Black Friday itself—the greatest of these raids upon the market—was followed by a fall almost as rapid as the rise had been. While, then, speculative manipulation of the gold supply was at times the dominant influence in the market, the abiding forces that governed the premium are to be looked for elsewhere. They are to be found in the second mentioned category of influences, viz., the considerations which entered into the community's valuation of the paper currency.

What, then, were these considerations ? Evidently the utility of the material of which the currency was made was not one of them ; for the bits of engraved paper were themselves nearly worthless. Congress, however, attempted by inserting certain provisions in the legal tender acts to give these bits of paper a high value in exchange. Unites States notes were made receivable for all taxes exept duties on imports ; they were exchangeable at par for bonds bearing an interest of 6 per cent. in gold ; and, third, they were declared a legal tender in the payment of debts.[1] Had the issues of greenbacks not exceeded the sums required for the payment of taxes, the first of these provisions might have been efficacious; but such was by no means the case.[2] The second provision—the privilege of funding—at

decrease while the supply increased. Precisely the opposite results were noticed when the price fell rapidly. To an extent, therefore, the supply and demand for gold, instead of controlling, were themselves controlled by the fluctuations of the premium. —See *Hunt's Merchants' Magazine*, vol. liv. p. 90 ; money articles in New York *Times* for June 16–17, and July 24, 1862.

[1] Act of February 25, 1862, § 1. 12 *Statutes at Large*, 345.

[2] The "old demand notes," of which only 60 million dollars were issued, did not depreciate so much as the greenbacks because they were receivable for customs. They were regularly quoted at a premium nearly equal to that of gold, until they had all been paid in and retired. See *Hunt's Merchants' Magazine*, vol. xlvii. p. 424; the New York *Times*, money articles of June 18 and September 29, 1862.

best but a weak prop — was soon removed.[1] As to the legal tender clause, it could compel the creditor to receive paper money as the equivalent of gold only for debts already contracted. It could not control contracts to be made after its passage. Sellers were free to charge higher prices for their goods when they knew the payment would be in greenbacks; and they did so. Not only did the legal tender clause fail to prevent depreciation, but, had it been the only support of the value of the greenbacks, the depreciation might have been as great as it was, for example, in the case of the Russian legal tender paper money in the first quarter of this century.

But, though these artificial provisions proved futile, one important consideration remained. Greenbacks were notes of the government of the United States, and as such their value — like the value of the notes of a private person — depended upon the credit of the issuer. If confidence in the government's ability ultimately to redeem its notes had been entirely destroyed, the paper money would have depreciated to the level finally reached by the Confederate currency. On the other hand, if the credit of the government had suffered no diminution, its notes would have depreciated little, if at all. Fluctuations between these two limits — par and zero — followed the varying estimates which the community was all the time making of the government's present and prospective ability to meet its obligations. Our task is to analyze the elements that entered into this continual calculation.

First, it is plain that an increase in the amount of the demand debt made speedy repayment more doubtful. Hence the effect of every suggestion of an increase in the amount of the paper currency was to decrease the value of the greenbacks already in circulation. This is clearly shown by the influence of the second and third legal tender acts.

[1] The Ways and Means Act of March 3, 1863, § 3 (12 *Statutes at Large*, 709) left it optional with the Secretary of the Treasury to receive United States notes for bonds after July 1, 1863. Secretary Chase allowed funding to continue until January 21, 1864. —SPAULDING, *History of the Legal Tenders*, introduction to second edition, p. 10.

July 11, 1862, the gold value of currency was $96.74.[1] The next day it was officially announced that the Secretary of the Treasury had requested Congress to authorize a second issue of United States notes.[2] Immediately the value of the currency declined to $95.01. As the certainty increased that the request would be complied with, the fall continued, until, on the day the second legal tender act was passed, July 8, the currency price was $89.69.

Even more striking was the fall caused by the third legal tender act. December 1, 1862, just before Congress convened, currency was worth $77.82. Three days later a fall to $74.63 was caused by a rumor that the annual finance report would recommend another issue of United States notes.[3] A denial produced a reaction to $76.63. But on the 8th Mr. Thaddeus Stevens introduced a bill providing for an issue of 200 millions,[4] which brought about a relapse the next day to $75.19. When he admitted, a few days later, that there was no chance of his measure passing, a slight rise followed.[5] But January 8 the Committee of Ways and Means submitted a revenue measure authorizing the issue of 300 millions of United States notes.[6] The currency fell to $72.99. Six days later the house of representatives passed a joint resolution for the issue of 100 millions to secure the immediate payment of the army and navy.[7] The fall reached $67.57. The acquiescence of the senate caused a slight further decline.

Meanwhile the revenue bill was under discussion in the house. When it was passed and sent to the senate, the notes were

[1] The value of currency in gold, instead of gold in currency, is given because it represents better the extent of the depreciation of the paper money. For this purpose I have converted the tables of daily quotations of the gold market into tables showing the value of $100 of currency in gold. See Appendix, pp. 285–91. All references are to these tables.

[2] See the New York *Times*, June 12, 1862.

[3] *Bankers' Magazine*, New York, vol. xvii. p. 560.

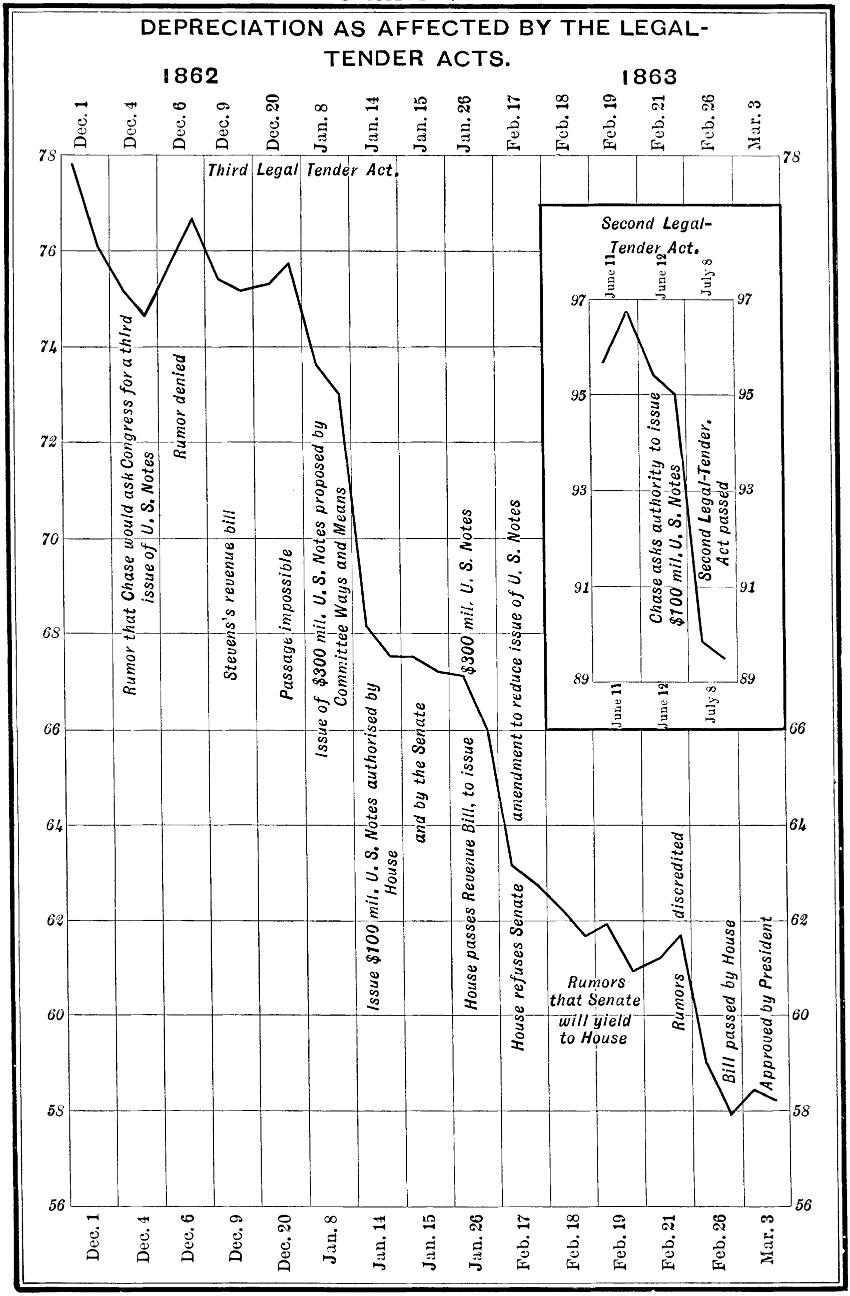
[4] *Congressional Globe*, XXXVII Congress, third session, pp. 23–145; New York *Times*, December 9, 1862. The references to the daily papers are, unless otherwise specified, to the date of the money articles.

[5] *Congressional Globe*, *loc. cit.*, p. 146.

[6] *Ibid.*, p. 235. See § 3 of the bill, p. 284.

[7] *Ibid.*, p. 341.

CHART I.


DEPRECIATION AS AFFECTED BY THE LEGAL-TENDER ACTS.
1862
1863
Dec. 1
Dec. 4
Dec. 6
Dec. 9
Dec. 20
Jan. 8
Jan. 14
Jan. 15
Jan. 26
Feb. 17
Feb. 18
Feb. 19
Feb. 21
Feb. 26
Mar. 3
78
76
74
72
70
68
66
64
62
60
58
56
Third Legal Tender Act.
Rumor that Chase would ask Congress for a third issue of U. S. Notes
Rumor denied
Stevens's revenue bill
Passage impossible
Issue of $300 mil. U. S. Notes proposed by Committee Ways and Means
Issue $100 mil. U. S. Notes authorised by House
and by the Senate
House passes Revenue Bill, to issue $300 mil. U. S. Notes
House refuses Senate amendment to reduce issue of U. S. Notes
Rumors that Senate will yield to House
Rumors discredited
Bill passed by House
Approved by President
Second Legal-Tender Act.
June 11
June 12
July 8
97
95
93
91
89
Chase asks authority to issue $100 mil. U. S. Notes
Second Legal-Tender. Act passed

depressed to $65.90. Three weeks later the measure came back with the senate amendments, one of which reduced the new issue of legal tender notes from 300 to 150 millions. A drop of $1.36 followed the house's refusal to agree to the change. During the next two days it was thought in New York that the senate would yield, and the decline of the currency continued to $60.98. When this idea was dissipated there was another reaction. But February 26 the house yielded and passed the bill.[1] This made the increase of notes certain, and their value fell to $57.97. After this extreme depression came a slight reaction to $58.48 on the day the bill became a law.[2]

But not only the amount of notes which the government issued, but also the condition of the resources at its disposal for meeting obligations, affected the probability of a speedy redemption of the paper currency. This explains why almost every important public event was reflected in the fluctuations of the gold market. Few things could happen to the government that would not directly or indirectly influence its credit, and therefore the value of its notes. Consequently notice must be taken of the effect of financial, military, political, and diplomatic events upon the course of the depreciation.

Since the first condition of redeeming the paper currency was financial strength, the condition of the treasury was narrowly watched by the gold market. For example, the annual reports of the Secretary of the Treasury were anxiously awaited each December and caused a rise or fall of the currency according as the condition of the finances presented seemed hopeful or gloomy. In December 1862, the day before the report was published, a rumor was circulated in New York that another issue of greenbacks would be proposed. The currency fell from $76.34 to $74.63, but rose again to $76.63 when the report appeared recommending a national bank currency as preferable to government notes. Next year the report was responsible for a slight decline; for,

[1] For senate amendments see *ibid.*, p. 927; for action of the house, pp. 1039 and 1312.

[2] March 3, 1863. See chart 1, op. p. 144.

though Secretary Chase declared specifically against an increase of the greenbacks, the estimated expenditures so far exceeded receipts that he was obliged to ask for a loan of 900 million dollars. Again in 1864, the report caused a fall, for even the New York *Tribune* admitted that it was unsatisfactory.[1] By December 1865 the gold market had become much steadier, but Secretary McCulloch's report recommending a speedy resumption of specie payments was warmly received and caused a rise of the currency from $67.34 on the 5th to $68.14 on the 6th.[2]

Ability of the government to borrow also influenced the value of the currency; for the fate of a loan indicated public confidence or distrust, and success provided means for continuing the war without the issue of more legal tender notes. Thus, in the spring of 1863, Mr. Jay Cooke's success as agent of the government in obtaining subscriptions at the rate of two millions a day caused the currency to rise from a level of $65.00, prior to March 24, to $71.68 on the 25th, when the favorable result of his operations was assured.[3] In October 1863 the report that a foreign loan had been obtained caused a rise from $68.49 on the 21st to $70.05 on the 22d. Next day it was discredited, and the currency fell back to $68.26.[4] Again, in September 1864, a loan of some 32.5 millions was subscribed twice over at an average premium of 4 per cent. This news caused a rise from $42.37 on the 9th to $45.87 on the 10th.[5]

Changes in the officials of the Treasury Department constituted another important factor. The resignation of the assistant treasurer in New York caused a fall June 2, 1864, from $53.06 to $52.63. Secretary Chase's resignation July 1, of the same year, depressed the currency to $40.00. A few hours later, upon the

[1] See the *Tribune* of December 8, 1864. Another circumstance — Mr. Stevens' gold bill — partially counteracted the effect of the report this year.

[2] See comments of New York papers of December 6; and *Hunt's Merchants' Magazine*, vol. liv. p. 77.

[3] New York *Times* of March 24, 1863; BOLLES, *Financial History of the United States*, 1861–1885, p. 103.

[4] New York *Times*, October 22, 1863.

[5] *Hunt's Merchants' Magazine*, vol. li. p. 392; BOLLES, *loc. cit.*, p. 122.

receipt of a dispatch announcing Senator Fessenden's appointment to the vacant post, there was a reaction to $45.05. Mr. McCulloch's nomination the following March occasioned an advance from $50.25 on the 7th to $51.05 on the 8th.

Even more striking than the influence of financial events upon the currency was the effect of the "war news." While the war continued there could be no thought of redeeming the government's notes. Hence every victory that made the end seem nearer raised the value of the currency, and every defeat depressed it. The failures and successes of the Union armies were recorded by the indicator in the "gold room" more rapidly than by the daily press. A few instances may be cited.

Chancellorsville, fought May 3, 1863, was one of the most disastrous battles of the war. But the first reports that reached New York were favorable, and caused a rise of the currency to $67.45. Next day, however, adverse rumors commenced to arrive, and the currency turned. On the 6th a partial confirmation of the bad news continued the fall. When all uncertainty about the disaster was removed on the 7th,[1] the currency dropped to $64.62.

Following up the advantage gained at Chancellorsville, General Lee crossed the Potomac and invaded the North. With the progress of his movement the currency fell from $71.17 on the 10th of June 1863 to $67.40 on the 16th.

Similarly the battle of Chickamauga caused a decline from $74.77 on the 19th of September 1863 to $71.81 on the 21st; in April 1864 the currency fell from $57.43 on the 23d to $54.79 on the 25th, because of the report that the Confederates had captured Plymouth, North Carolina; General Butler's failure to take Fort Fisher was the occasion for a drop from $46.24 to $44.64, December 28, 1864; the knowledge of the ill success of the Yazoo river expedition brought a fall of over $4.00, from $67.34 March 31 to $63.34 April 1, 1863.

[1] See conflicting reports from the battles in the New York papers of May 4 to 7, 1863.

The power of victories to raise the value of the currency was most strikingly illustrated by the series of triumphs in July 1863. On the first three days of that month the battle of Gettysburg was being fought. The 4th was the national holiday; the 5th Sunday. When the gold market opened on the 6th, currency, which on the 1st had been at $68.97, rose to $72.46. Next day news came of the capture of Vicksburg; currency reached $75.47. Despite the draft riots in New York city, the reaction was small; and when the capture of Port Royal was announced, July 15, there was a further advance to $77.59. With the increase of confidence the currency continued to appreciate, until upon the 20th it was worth $81.14. This was a rise of $12.17 in twenty days, due to favorable war news.

Grant's series of victories at Chattanooga caused a rise of $4.99 in four days. The victory of Sheridan over Early at Winchester and two days later at Fisher's Hill led to an advance from $44.10 to $46.30. Sherman's capture of Atlanta, known in New York September 3, 1864, occasioned a rise from $37.29 on the preceding day to $42.37. Later, after he had started north from Georgia, no news came from his army for some time, and fears were entertained for his safety, when, March 14, 1865, a dispatch was received stating that he had reached Laurel Hill, North Carolina, and that all was well. This news caused the currency to appreciate from $52.22 to $56.26. More examples are shown on the chart.

Many of the fluctuations of the currency were due to mistaken reports of military events. Thus, September 3, 1862, an absurd story that Stonewall Jackson was marching on Baltimore with 40,000 men caused a fall from $85.84—the price of the previous day—to $84.75.[1] A rumor that Atlanta had been evacuated produced a rise from $38.80 to $39.92 on July 22, 1864.[2] Another false report of the fall of Petersburg led to an advance from $48.78 to $51.28.[3] A similar story of the evacua-

[1] New York *Times*, money article, September 3, 1862.

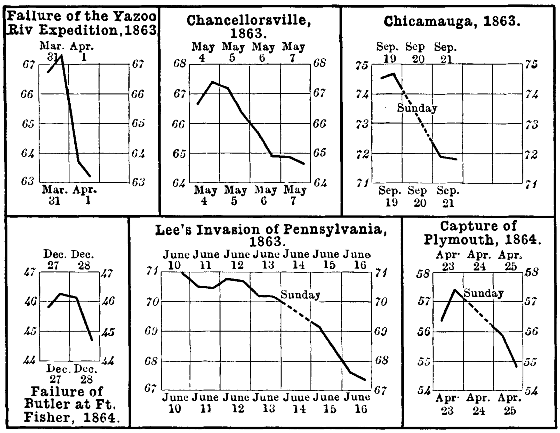
[2] New York *Tribune*, money article for July 22, 1864.

[3] September 28, 1864, see New York *Herald*, money article.

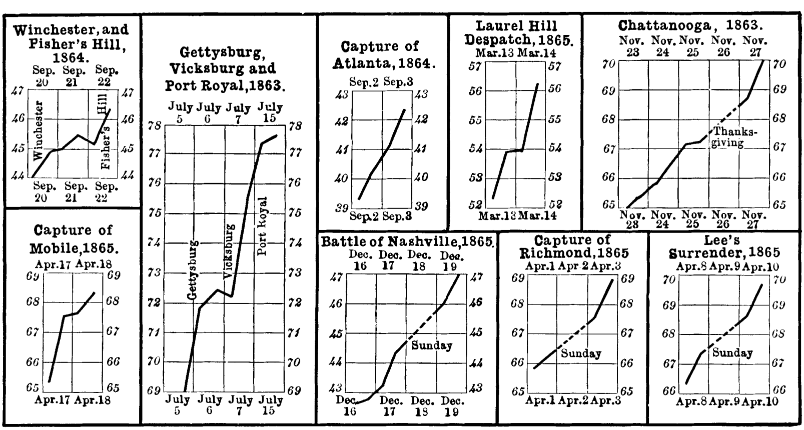
CHART II.

EFFECT OF MILITARY EVENTS UPON THE VALUE OF THE PAPER CURRENCY.

I. FEDERAL REVERSES.



II. FEDERAL SUCCESSES.



tion of Richmond was the occasion of the change from $56.54 to $58.74 on the 16th of March 1865.[1] Peace rumors were especially frequent. The "peace mission" of the two Blairs was followed with much anxiety. A report that the elder Blair was in Richmond produced a rise from $46.54 to $48.08 January 19, 1865. On the last day of the month news came that three Confederate commissioners were within the Union lines.[2] Currency rose from $47.39 to $49.50; but fell back again to $46.62 on the announcement, a week later, that the conference would accomplish nothing.

Being of less frequent occurrence, political events played a less prominent rôle in the gold market than financial and military affairs. The best example of their influence is shown by the events attending the presidential election of 1864. Mr. Lincoln was the republican nominee. The democratic party, which did not hold its convention until August 31, finally nominated General McClellan. News of this choice caused the currency to fall from $42.73 to $41.15.

The canvass that followed was spirited, and for a time the result seemed doubtful to many. The Pennsylvania state election in October was looked to for an indication of the probable outcome. For a day or two after the votes had been cast it was uncertain which party had won. October 11 the New York *World* claimed that the democrats had made large gains and would carry the state. Because of this the currency fell from $50.41 to $49.17.

Curiously, the republican triumph in November had the same effect upon the currency as this promise of democratic success had exercised. It seemed to have been argued that President Lincoln's re-election meant an indefinite prolongation of the war, and hence destroyed any chance of a speedy redemption of the paper money.[3] On the strength of this view there was a fall

[1] New York *Herald*, money article, March 16, 1865.

[2] *Ibid.*, January 31, 1865.

[3] See editorial article in New York *Express*, November 9, 1864.

on the 9th from $40.65 to $38.46. However, a reaction quickly followed.

President Lincoln's assassination occurred after the regular gold market had closed on the evening of April 14, 1865. Currency had ranged between $67.97 and $68.49. The news was received, however, at the "evening exchange." At the first shock there was a fall to $61.61. This was followed by a quick reaction, so that the market closed at $63.69.[1] Next day the gold exchanges remained closed, and the following day was Sunday. This gave an opportunity for the scare to subside. On Monday the opening price was $65.36, but it soon rose to $67.51, and the next day the currency had regained the level which it held before the assassination.

Though the country's foreign relations were overshadowed during the war by domestic affairs, they exercised some influence upon the value of the paper money. There were two important matters of diplomatic concern: the chance of foreign intervention and the French occupancy of Mexico. Fears on the former score were put to rest on July 30, 1862, by the arrival of a steamer from England bringing reports of a speech of the prime minister, Lord Palmerston, which was taken to mean that the British government had no intention of interfering in the American war.[2] Currency rose from $85.84—the price on the 29th—to $87.43. On the 10th of the following February a report that the French emperor was attempting to bring about a conference between the North and South caused the paper money to appreciate from $63.90 to $65.57.[3] The news of the withdrawal by England of the recognition which it had accorded the Confederacy as a belligerent occasioned a rise from $68.91 to $71.43 on the 19th of June 1865.[4]

May 3, 1864, the publication in *Le Moniteur* of the convention assuring the stay of French troops in Mexico caused the

[1] New York *Herald*, report of the "evening exchange," April 15, 1865.

[2] See the dispatches in the New York papers of July 30, 1862.

[3] New York *Times*, money article, February 10, 1863.

[4] New York *Herald*, money article, June 19, 1865.

currency to depreciate from \$56.50 to \$55.63.[1] At the close of the war the administration attacked the Mexican question with vigor. June 5, 1865, came word that Napoleon had been urged to withdraw his troops. This showed the possibility of trouble with France, and caused a slight decline—from \$73.94 to \$73.13.[2] During the summer many conflicting reports were circulated concerning complications on the Rio Grande, causing considerable fluctuations in the gold market.[3] But the beginning of the end came November 7, with the report that the cabinet had decided to notify the French government that the sending of further troops to Mexico would meet with the disapprobation of the United States. That little fear of a serious complication was entertained is shown by the slight extent of the fall caused by this news—\$68.03 on the 6th to \$67.91 on the 7th.[4]

II.

Having analyzed the factors that entered into the community's valuation of the paper money, we may now proceed to trace the progress of depreciation during the war.

Upon the accompanying chart is shown the highest, lowest, and average gold value of the currency by months, for the four

[1] New York *Times*, money article, May 3, 1864.

[2] New York *Herald*, money article of June 5, 1865.

[3] *Hunt's Merchants' Magazine*, vol. liii. p. 133.

[4] It will be noticed that in this discussion of the factors that affected the value of the United States notes nothing has been said of a connection between their value and the quantity in circulation. Perhaps a word should be added on this point. It has been shown that the acts increasing the amount of the paper currency depressed its value, because they increased the liabilities of this nature which the government had to carry. But it is noticeable that this effect was produced the moment that such legislation was proposed. The currency fell before the new notes could be put into circulation. As has been seen, the third legal tender act caused the greenbacks already in circulation to decline from \$77.82 on the 1st of December 1862 to \$58.22 March 3, 1863—the day on which the law was approved. But during the following six months, while the amount of the notes in circulation was being increased, there was a steady appreciation of the currency. Again, the largest amount of United States notes outstanding at any time was \$449,338,902 on the 3d of January 1864 (J. J. KNOX, *United States Notes*, 2d ed., p. 139). After this day redemptions exceeded reissues, so that the amount in circulation was contracted. But the value of the currency fell very rapidly between January and July 1864 instead of rising.

years 1862 to 1865. As this shows, the general course of the fluctuations falls into several strongly marked periods. (1) January to April, 1862, the depreciation was slight and almost constant. (2) After April there occurred an almost unbroken fall till February 1863, when the average value of the currency for the month was but $62.30. (3) This was succeeded by an appreciation, which culminated in the following August, when the average price rose to $79.50. (4) A second and more serious decline followed, until, in July 1864, the lowest value of the war was reached—$38.70 for the month. (5) August 1864 to May 1865 an upward movement, interrupted by a reaction in November, carried the currency to $73.70. (6) After May there was a slow decline till the end of the year.

1. *January to April 1862.*

In the first recorded sales of gold (January 13) the paper currency had a value of $97 09. As the fright of suspension and the trust affair wore off, the value rose somewhat; so that the average for the month was $97.60. February brought a fall of just $1.00, doubtless due to the passage of the first legal tender act. March, however, more than restored this loss. First there were victories. Grant had taken Fort Donaldson in February. Then followed the battle of Pea Ridge, McClellan's advance into western Virginia, and the defeat of the Merrimac by the Monitor. Second, the associated banks of New York unanimously decided to use greenbacks in making their daily settlements at the clearing house.[1] Confidence in the speedy termination of the war was high, and the credit of the government strong. Consequently the government's notes were but $1.00 below par for the month.[2]

During April the depreciation was even less. The train of victories continued. April 7 Grant defeated Beauregard at Pittsburg Landing; next day Island No. 10 surrendered; on

[1] New York *Times*, money article, March 10, 1862.

[2] See *ibid.*, March 13, on the confidence expressed by investors in government securities. The issue of the *Times* for March 12 contained a long editorial article headed "The End of the Rebellion."

CHART III.

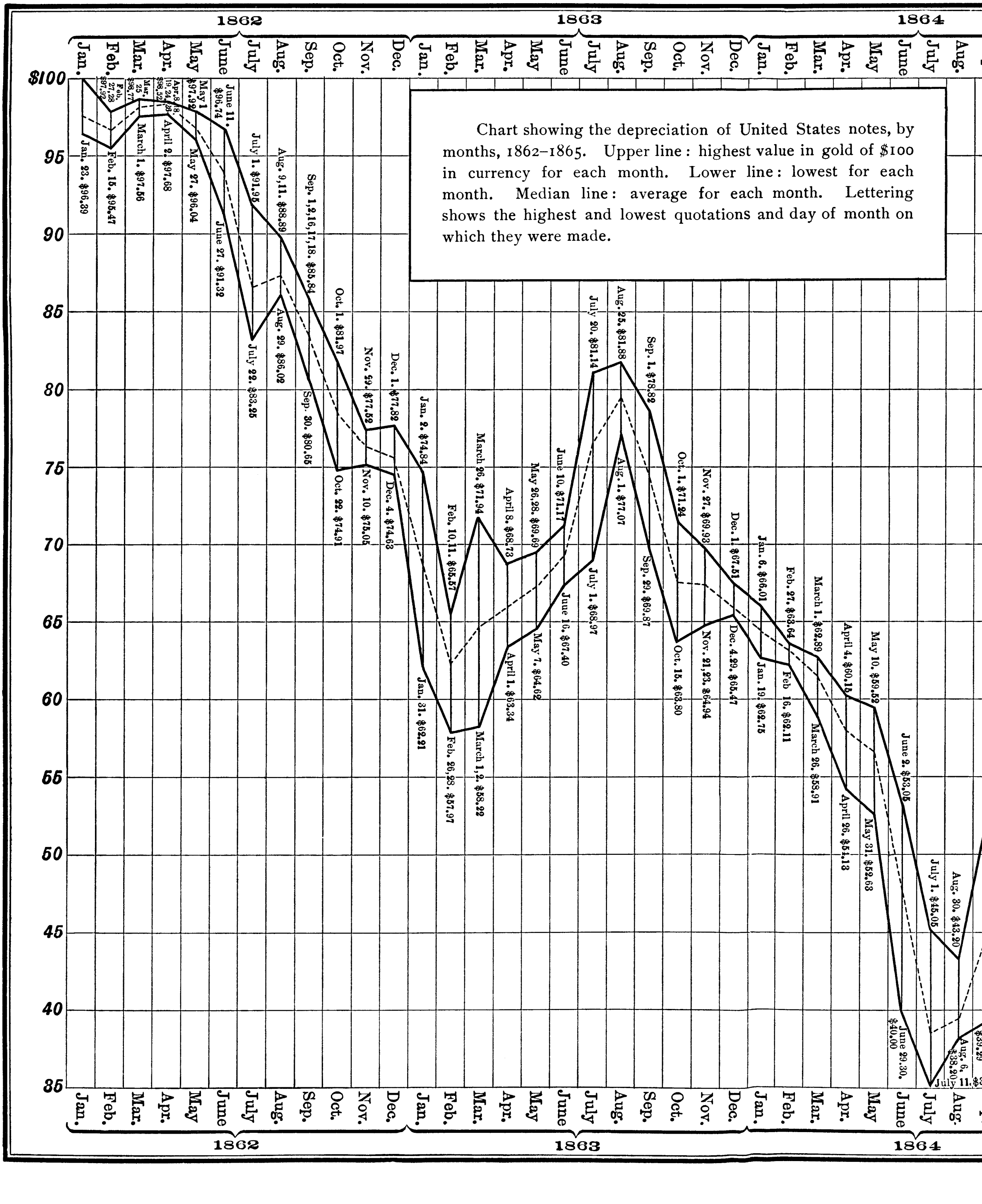
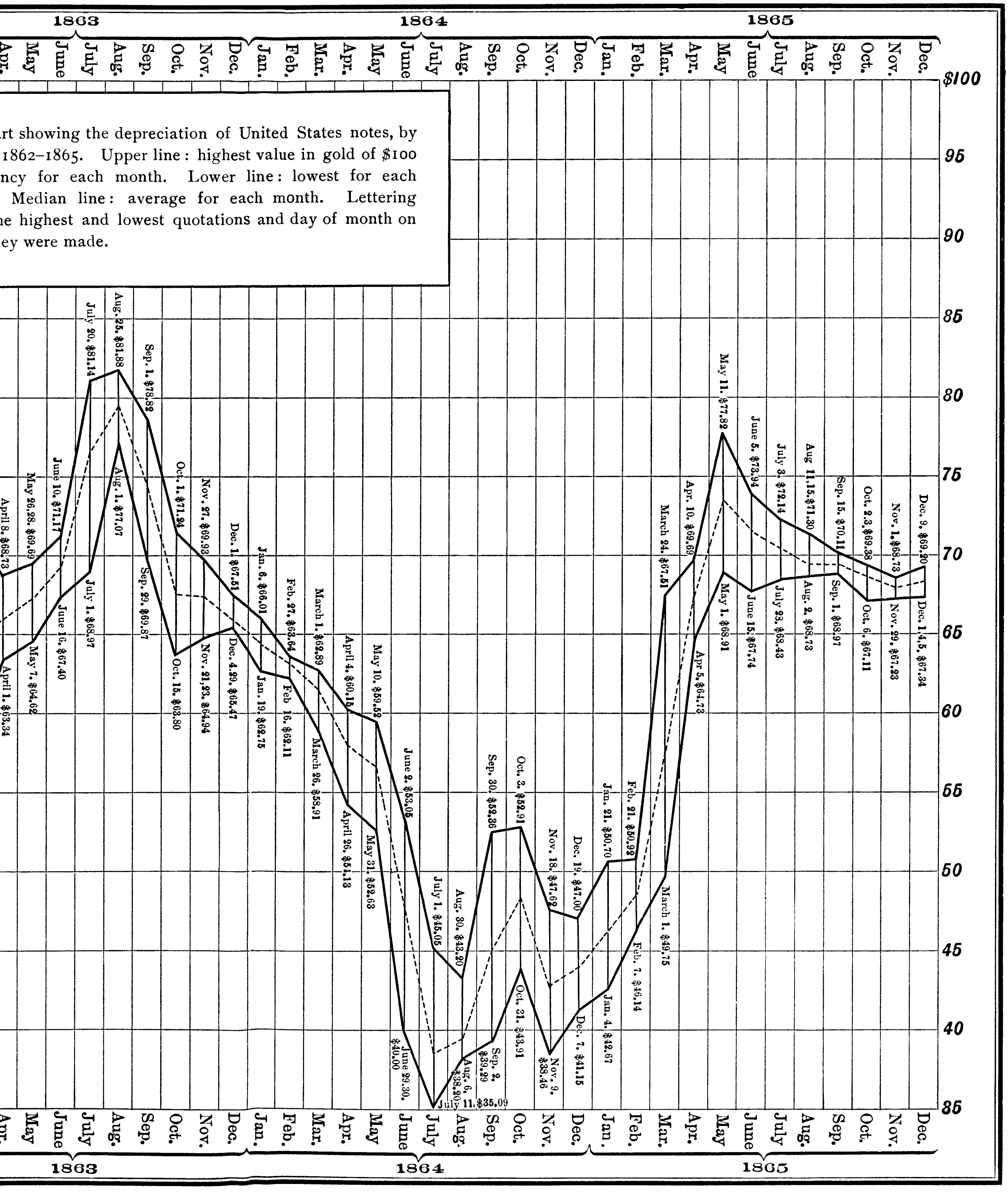


Chart showing the depreciation of United States notes, by months, 1862–1865. Upper line: highest value in gold of $100 in currency for each month. Lower line: lowest for each month. Median line: average for each month. Lettering shows the highest and lowest quotations and day of month on which they were made.

CHART III.



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1862–1865. Upper line: highest value in gold of $100
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Median line: average for each month. Lettering
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1863
1864
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the 15th news came to New York that Fort Pulaski, guarding the entrance to Savannah, had been taken; and to crown the month, New Orleans fell into Union hands, in its closing week. Moreover, the greenbacks, which now, for the first time, began to come into general circulation, were most favorably received, for it was considered highly patriotic to accept the government's notes as the equivalent of gold.[1] Thus, under the stimulus of victories and universal confidence, the paper money reached the highest value of the war—$98.50, a depreciation of but $1.50.

2. *The depreciation from May 1862 to February 1863.*

In May military operations turned against the North. Early in the month Memphis was taken, but of greater importance were the defeats in the Shenandoah valley. Stonewall Jackson, by brilliant maneuvers, defeated the Union forces at Front Royal and Strasburg, drove Banks across the Potomac, threatened Washington, and then effected a junction with Lee's army in front of Richmond. From $97.92, on the first day of the month, the currency declined to $96.04 on the 27th, when the fright in Washington was at its height. The average for the month was $1.70 less than it had been in April.

A further fall of $2.90 came in June. News of McClellan's success at Fair Oaks, which reached New York on the 1st, caused a rise. But this was checked on the 12th by Chase's request to Congress for a second issue of United States notes. At the same time the Confederate General Stuart rode with his cavalry around McClellan's idle army, capturing prisoners and burning supplies.

July brought yet greater disasters. McClellan's peninsular campaign, which was to have ended with the capture of Richmond, ended instead with the desperate retreat to Harrison's Landing. Then followed several weeks of inactivity on the Potomac. Meanwhile the President issued a call for 300,000 volunteers, and Congress passed the second legal tender act. Consequently the currency was $7.30 lower than in June.

[1] New York *Times*, money articles, March 26, April 7, 14, and 17, 1862.

After the 22d of July there was a rise that lasted during the first half of August. Halleck succeeded McClellan, and there was once more activity on the Potomac. This, and the news of Lord Palmerston's speech disposing of the fear of intervention, were encouraging, and more than offset the influence of the draft for 300,000 nine months' militia ordered August 4. But in the second half of the month occurred Cedar Mountain and the second battle of Manassas. Pope was forced into the defenses before Washington, and the way into Maryland was open to Lee. At the same time the Confederates were gaining ground in Kentucky; and in Minnesota the Sioux Indians were perpetrating outrages. Under these depressing influences the currency fluctuated upon a lower scale.

During September the depreciation continued. Lee invaded Maryland, captured Harper's Ferry, with 11,500 prisoners and immense supplies, and threatened Philadelphia. The check administered to him at Antietam caused a temporary rise in currency in the middle of the month; but McClellan failed to follow up his advantage, and in Kentucky little headway was made against Bragg. The monitory proclamation of emancipation had also a depressing influence.[1] Against these events the victory of Iuka and the defeat of the Indians in Minnesota availed little.

In October Rosecrans beat off a Confederate attack at Corinth in Mississippi, and late in the month McClellan commenced another leisurely advance into Virginia. But to offset this was Stuart's cavalry raid into Pennsylvania and the sack of Chambersburg. More influential, however, than these military events were the October elections. Everywhere the administration lost ground. In Maine, Vermont, Massachusetts, and Michigan the republican majorities were greatly reduced, and New York went democratic. An opposition majority in the house of representatives was predicted.[2] Owing to these

[1] September 22, 1862. The proclamation recites that January 1, 1863, the President will declare the freedom of all slaves held in states that shall then be in rebellion.

[2] BLAINE, *Twenty Years in Congress*, vol. i. p. 441.

depressing circumstances the average value for the month was $6.60 less than in September.

November was more quiet, but the average for the month was slightly less than for October. The publication of the order relieving General McClellan was the cause of the lowest quotation, on the 10th of the month.[1] For the rest of the month the market was dull, awaiting the meeting of Congress in December.

Depreciation was still greater in the next month. Burnside was defeated at Fredericksburg, losing nearly 14,000 men. A third issue of United States notes was foreshadowed. In Congress the administration was sharply attacked for the suspension of the writ of *habeas corpus* and for the monitory proclamation of emancipation. Meanwhile there was a quarrel in the republican ranks. The caucus of the senate advised the President to reconstruct his cabinet, and in consequence the Secretaries of State and of the Treasury both resigned, but were prevailed upon by Mr. Lincoln to remain in office. Under this combination of depressing influences the first year of the paper standard closed with a depreciation of nearly 25 per cent.

During January and February the fall of the paper currency was accelerated by the framing and first passage of the third legal tender act, as shown above. Other events had but a temporary effect on the value of the currency. On the Potomac all was quiet, Burnside being relieved by Hooker. Rosecrans foiled Bragg with great loss at Murfreesboro, but Galveston was recaptured by Magruder.

This period, May 1862 to February 1863, commenced with a depreciation of but 2 per cent., and ended with one of 42 per cent. From May to November the dominating causes of the decline were military disasters and the second issue of greenbacks. McClellan's peninsular campaign was a melancholy failure. Richmond was not taken; instead, Lee invaded the North. When the offensive was again assumed by the Confederates, the defeat of Fredericksburg resulted. What success had been won in the West could not counterbalance these disasters. To this

[1] New York *Times*, money article, November 10, 1862.

ill fortune in war was added the political defeat of the administration in the autumn elections. From December to February the fall was more rapid, but now owing rather to the third issue of the legal tender currency than to military events.

3. *The rise from March to August 1863.*

February closed with currency at $57.97. March brought a reaction. There were no decisive military operations; but Congress passed the National Banking Act and gave the Secretary of the Treasury almost unlimited power to borrow money.[1] The former law raised the value of the government's notes, because it was thought—erroneously, as the results proved—that it would afford a considerable revenue by compelling banks to buy Federal bonds as security for their note issues.[2] Moreover, "success quite beyond anticipation," as Secretary Chase said, "attended the efforts to obtain loans from the public."[3]

The same favorable causes continued to operate in April. An unsuccessful attack upon Charleston (on the 9th of the month), however, checked the rise. But Grant was beginning to press Vicksburg closely, and Hooker executed a well-planned movement across the Rappahannock. These events were encouraging, and the average for April was a little higher than it had been in March, as March had been higher than February.

During the first week of May there was a heavy fall, due to the great defeat at Chancellorsville. But Grant's series of victories in Mississippi, ending with the complete investment of Vicksburg, and the large public subscriptions to the loan, led to another rise, so that the average for May was slightly higher than that for April.

June presents a striking example of an appreciation of the currency—small, to be sure—despite military disaster. After

[1] Banking Act of February 25, 1863 (12 *Statutes at Large*, 665, and Ways and Means Law of March 3, 1863 (*ibid.*, p. 709).

[2] See *Bankers' Magazine* (New York), vol. xviii. p. 817; *Report of the Secretary of the Treasury*, 1863, p. 2. "The loan act and the national banking act were followed by an immediate revival of public credit."

[3] Executive Document No. 66, XXXVIII Congress, first session.

Chancellorsville, General Lee invaded the North. He destroyed an army corps at Winchester June 13, then crossed Maryland, and by the end of the month reached Gettysburg, seventy-five miles north of Washington. On the 16th a call was issued for 100,000 six months' militia to repel the invasion. In the West nothing decisive was accomplished; Grant still pressed Vicksburg, but still without result. Meanwhile the political opponents of the administration seized the moment to push their agitation against the conduct of the war. Mr. C. L. Vallandingham, who had been arrested for treasonable utterances, was nominated for governor of Ohio. At New York a great "peace meeting" was held. All this made the latter half of June a very dark period for the Union cause. But the machinery of the national loan was now thoroughly organized, and, while Lee was advancing, the treasury was receiving one and one-half to two and one-half millions daily for government bonds.[1] The fact that the government was able to borrow on so large a scale, even at this crisis, had a great effect in maintaining its credit, and hence the value of its notes. So, while Lee's invasion caused a heavy fall in the middle of the month, there was a reaction after the first scare subsided, and for the month the average value of the currency was $2.00 higher than in May.

If June had shown the possibility of a rise in the face of military reverses, July showed how powerful a stimulant was military success. It was a month of victories—Gettysburg, Vicksburg, and Port Royal. Morgan was captured in Ohio on an attempted cavalry raid. On the 15th President Lincoln appointed a day of thanksgiving, and on the 25th President Davis a day of fasting and prayer. The advance of the currency over June was $7.40.

August continued the good times. In a military way the month was quiet, but in the West steady progress was made. Much encouragement was received from the vigorous pushing of the siege of Charleston.[2] The draft in New York, which had

[1] *Bankers' Magazine* (New York), vol. xviii. p. 607.

[2] New York *Times*, money articles, July 15, 17, and August 26, 1863.

been interrupted by riots, was resumed and completed. Elections in Kentucky, Vermont, and California resulted most favorably for the administration candidates. Under these circumstances the currency reached 79.50—a higher level than was again attained during the war.

4. *The fall from September 1863 to July 1864.*

Many had expected after the great victories of July that the end of the rebellion was at hand. But Lee, instead of being annihilated, was suffered to withdraw unmolested across the Potomac, and he was soon confronting Meade in the old positions along the Rappahannock. Soon news of positive disaster was added to this disappointment. At Chickamauga Rosecrans lost 16,000 men and narrowly escaped the destruction of his whole army. The news caused a fall of nearly $3.00 in a single day. So the currency declined from $78.80 on the opening day of September to $69.87 on the 29th.

From the last of September to the end of the year there was a slow but steady depreciation. The lowest point of the period was $63.80—October 15—when Lee and Meade were racing for Washington. When Meade won, the currency rose again. October elections favored the administration. In November the lowest prices, those of the 21st and 23d, were due to the investment of Knoxville by Longstreet, the highest, on the 27th, to Grant's victories at Chattanooga. December was a very quiet month. The finance report declared against any further issue of United States notes, but revealed an immense and rapidly increasing debt. Meade's recrossing of the Rapidan to go into winter quarters was the occasion of the lowest quotation of the month.[1]

During the first three months of 1864 the decline continued at a slightly faster pace. February 1 a draft for 500,000 men was ordered. Later in the month came news of the defeat of the Florida expedition at Olustree. Kilpatrick's successful raid around Richmond had less influence. In March the ill-fated Red

[1] New York *Times*, money article, December 3, 1863.

River expedition set out. The Confederate General Forrest, who had been raiding in Tennessee, was severely repulsed near the end of the month at Paducah. But more important was the slowness of Congress in voting adequate taxes. Even the New York *Tribune* became impatient. "A Congress fit to exist," it said, " would have matured and perfected *some* sort of finance system before the close of its fourth month."[1]

In April Congress still passed no revenue laws, and the war news was unfavorable. The massacre of Fort Pillow, the failure of the Red River expedition, Steel's evacuation of his position in Arkansas, the Confederate capture of Fort Williams, and later of Plymouth, in North Carolina, all combined to make a gloomy commencement of the spring campaign.[2] Slight successes in Texas, Grant's preparations for a vigorous advance, and Union gains in the elections in Connecticut, Rhode Island, Missouri, and New Jersey could not counterbalance these disasters and the inactivity of Congress. Consequently the currency fell $3.50 below the average of March.

In the first half of May there was a rise. Grant crossed the Rapidan and fought the battles of the Wilderness. Every rumor from the field caused a rise or fall of the currency,[3] but despite Grant's enormous losses he was thought to have the advantage, so that the general trend of the fluctuations was upward until near the middle of the month. But Butler allowed himself to be penned up in Bermuda Hundred, where he could not assist Grant, and Congress still did nothing. So there followed another decline, and the average for the month was $1.20 lower than for April.

During these first five months of 1864 there had been a depreciation of less than $2.00 a month, due to lack of progress in subduing the rebellion and the dilatoriness of Congress in

[1] Editorial article, March 29, 1864.

[2] The feeling of depression is shown by the New York *Tribune's* remarks : " With perhaps a single exception, the important military events which we have been called upon to record since the early opening of the campaign have been disastrous to the national cause." April 29, 1864.

[3] *E. g.*, see New York *Times*, money article, May 12, 1864.

providing taxes. In the next two months this rate of depreciation was greatly accelerated by a new factor—the "gold bill." This measure was the consummation of a series of governmental attempts to increase the value of the currency, which we must turn back to recount.

It was the theory of the Treasury Department that the premium of the gold market was the effect of a rise of gold produced by speculation. Could this artificial rise of gold be checked, it was thought, the premium would fall and the credit of the government be improved. Acting on this principle, Congress, on March 3, 1863, laid a stamp tax upon time sales of gold, amounting to one-half of 1 per cent. of the amount plus interest at 6 per cent. per annum.[1] News of the passing of this law caused the currency to rise from $58.22 on the 3d of March to $66.67 on the 6th; but the gold market quickly rallied, and by the 10th the currency had fallen again to $61.35.[2]

A second attempt was made a year later. At this time the government was receiving more gold from customs duties than was required to pay interest on the public debt. The excess was accumulating in the New York subtreasury. It was thought that if this large supply could be suddenly thrown on the market it would break the corner in gold and cause a fall of the premium. With this intent, Congress authorized the Secretary of the Treasury to sell any surplus gold not required to pay interest.[3] This measure, also, caused a temporary rise of the currency, from $59.61 on the 9th, when it was expected to be lost, to $62.06 on the 17th, when it was approved by the President.[4]

Mr. Chase, however, was loath to use the power thus given him to sell gold, except as a last resort. He had another plan. Importers with customs duties to pay had to buy the necessary gold in the "gold room" or stock exchange. Chase thought the premium would fall if this demand were taken out of the

[1] §§ 4, 5. 12 *Statutes at Large*, 719.

[2] See money articles of New York *Times* and *Tribune*.

[3] Joint resolution of March 17, 1864. 13 *Statutes at Large*, p. 404.

[4] New York *Tribune*, money articles, March 9, 11, 12, 15, 1864.

market. Consequently he announced that importers would be allowed to deposit paper currency with the subtreasury, receive in return certificates of deposit of gold at a rate a trifle below the current premium, and use these certificates in payment of customs.[1]

The announcement of this plan caused a fall of gold from 169¾ on the 26th to 165¾ on the 29th of March. This day certificates were sold at 165½, and for the 30th the price was set at 164. The market quotation followed, and for the next day the price of certificates was 163½. But this time the market did not yield, and in consequence the rate for certificates had to be raised to 165 on April 1, and to 166 on the 2d. This meant the defeat of the plan. Instead of the treasury being able to dictate to the market what the price of gold should be each day, it was obliged itself to accept the dictation of the market. However, the plan was kept in operation two weeks longer. The rate for certificates was set permanently at 165; but the market quotation regardless of this rose to 175 on the 12th. The next day Mr. Chase issued an order stopping the sale of certificates after the 16th.[2]

Balked in this scheme, Mr. Chase came to New York on the evening of April 13th and ordered the surplus gold in the subtreasury to be sold.[3] On the 14th the gold quotation had reached 177¼. In seven days, by selling about eleven millions of gold, the quotation was forced down to 166⅞. Considering the effort made, the result was trifling. When the pressure was removed, the rise recommenced. Four days after the sales had ceased gold was higher than ever, and Mr. Chase himself was forced to recognize the futility of further sales.[4]

Undiscouraged by these two failures, Mr. Chase tried a third plan, that of satisfying the export demand for gold by selling exchange upon London at a rate below that prevailing in the

[1] See official announcement in the New York papers of March 29, 1864.

[2] Published in New York *Tribune*, money article, April 16, 1864.

[3] SCHUCKERS, *Life of Chase*, p. 358.

[4] See his letters of April 15 to Mr. Lincoln (SCHUCKERS, p. 359), and that of April 19 to Horace Greeley (WARDEN, *Life of Chase*, p. 581).

market.[1] This had still less effect than the earlier attempts. It caused a fall of gold from 181⅝ on May 19 to 181 on the 20th. But the next day gold began to rise again, and on the 24th the treasury was forced to raise its price for exchange,[2] thus acknowledging a third defeat.

Why these three attempts to reduce the premium failed is evident. They were based on the assumption that gold had risen in value—whereas, in fact, it was the paper currency that had fallen. Not increasing the supply of gold by government sales, nor decreasing the demand for gold by selling custom certificates or foreign exchange, would avail to lower the premium, but a strengthening of the government's credit by the winning of victories and the imposition of adequate taxation.

Though all his efforts had so far miscarried, Mr. Chase was more determined than ever to reduce the premium.[3] One resort was left him: he had failed to control the gold market, it remained to try abolishing the market altogether. With this idea he urged the "gold bill" through Congress. This law, approved June 17, forbade all dealing in gold on time, and provided that gold contracts should be made only in the office of one of the parties to the transaction.[4]

Gold opened in June at 190 and rose steadily as the prospect that the "gold bill" would be passed became greater, till it reached 197¾ on the 15th—the day the senate agreed to the bill. When the law took effect, the "gold room" was closed, and at the stock exchange the precious metals were dropped from the call list; for it was now unlawful for brokers to buy and sell gold outside of their offices. Persons who needed gold to pay customs or to send abroad were forced to go from one office to another inquiring the price.[5] There being no organized market, there was no regular quotation, and the prices demanded

[1] New York *Times*, money article, May 20, 1864.

[2] *Ibid.*, May 24, 1864.

[3] June 16, 1864, he wrote to Horace Greeley: "The price of gold must and shall come down, or I'll quit and let somebody else try." WARDEN, *Life of Chase*, p. 603.

[4] 13 *Statutes at Large*, 132.

[5] New York *Herald*, money article, June 24, 1864.

by different brokers varied so widely that June 27 there was a difference of 19 points between the lowest and highest selling rates. Business was so greatly inconvenienced that a meeting of bankers and merchants convened on the 22d and appointed a committee to recommend necessary alterations in the law.[1] Two days later the committee called upon Mr. Chase in Washington to urge the repeal of the act.[2] At a loss what to do, he had already authorized the assistant treasurer at New York and Mr. Jay Cooke to take such measures as would arrest the rise of the premium.[3] But they could do nothing, and the rise went on. Mr. Chase was now at his wits' end; he was very loath to repeal the bill,[4] and yet there was no other way to remedy the situation. In this dilemma he sent his resignation to President Lincoln, June 29, and next day it was accepted.[5] The vacant position was offered to Governor David Tod of Ohio.[6] When he declined it, Senator Fessenden was prevailed upon to assume the responsibility. Two days after his appointment the President approved an act repealing the "gold bill."[7]

The great fall of the currency, that appeared as a rise of the premium, in June and July was, however, by no means due solely to the "gold bill" blunder. Military events were not favorable. After his fearful losses in the Wilderness, Grant had been compelled to give up the idea of taking Richmond by assault. The dreadful repulse at Cold Harbor, June 3, was followed by unsuccessful cavalry raids against Lee's communications and the failure of the assault in the Petersburg mine. Then Hunter, moving to capture Lynchburg, was compelled to retreat by the sudden appearance of Early with a larger force. This opened the way to Early for a dash upon Washington,

[1] See account of the meeting in New York papers of June 23, 1864.

[2] Extract from Chase's diary, WARDEN, *Life of Chase*, p. 607.

[3] Letter to J. Cooke, WARDEN, p. 606.

[4] See his own account of what he said to Fessenden in regard to the matter, WARDEN, p. 619.

[5] WARDEN, p. 614; SCHUCKERS, *Life of Chase*, pp. 508, 473–488.

[6] LINCOLN'S *Works*, vol. ii. p. 540.

[7] Act of July 2, 1864; 13 *Statutes at Large*, p. 344.

which was almost successful. Though missing this prize, he conducted a successful campaign in the Shenandoah valley, not being checked until September. Meantime Grant, having been compelled to send an army corps and a portion of his cavalry to confront Early, was on the defensive in July. In the South Sherman was, as yet, making but slow progress against the wary Johnson in the campaign about Atlanta. It seemed indeed in June and July that almost no advance was being made in subduing the rebellion despite the prodigious expenditure of money and blood.

But the financial prospect was yet darker. Congress had, in March, authorized the issue of 200 million dollars of five-forty 6 per cent. bonds. In selling these, Secretary Chase determined to dispense with the employment of the special agents who had made the great loan of 1863 so successful, and also to lower the interest to 5 per cent. as a compensation for lengthening the time limits to ten and forty years. As a result the loan was a dismal failure. By the end of June but $73,337,680 of the 200 millions had been sold.[1] Another loan of 33 million dollars was advertised June 25, but so unflattering was the reception that it was withdrawn a week later.[2] Meanwhile the outstanding certificates of indebtedness had mounted to 162 millions, unpaid requisitions upon the treasury to 72 millions, and the cash balance on the 1st of July had dwindled to less than 19 millions. At the same time the government was expending two and a quarter million dollars daily.[3] Add to this that there was little chance of quick improvement, because Congress had delayed passing the revenue acts until the last day of June, and the desperate state of the finances becomes apparent.[4]

Under these circumstances the fall of the currency is not hard to understand. News of Mr. Chase's resignation, coming to

[1] BAYLEY, *National Loans of the United States*, pp. 48 and 164; SCHUCKERS, *Life of Chase*, pp. 348 ff.; SPAULDING, pp. 190 ff.

[2] *Report of the Secretary of the Treasury*, 1864, p. 20.

[3] *Ibid.*, p. 19.

[4] The revenue laws were the Ways and Means, and the Internal Revenue Acts. 13 *Statutes at Large*, pp. 218 and 223.

New York July 1, was interpreted to mean that the treasury was practically bankrupt,[1] and consequently caused the currency to fall to $40.00. Senator Fessenden's appointment produced a temporary rise, but the fright was not over, and when the "gold room" was reopened July 5, after the repeal of the "gold bill," the fall continued until the 11th, when the lowest point of the war, $35.09, was reached. The highest gold quotation of this day was 285. Though the crisis was passed, the market yielded very stubbornly. On the 15th currency had risen to $40.98; but a relapse carried it back, and the closing price of the month was about $39.00.[2]

5. *The rise from August 1864 to May 1865.*

Though military and financial affairs brightened very slowly, there was a tolerably steady advance of the currency during August. The pace was quickened in September by news of the capture of Atlanta and later by Sheridan's victories over Early in the Shenandoah valley, and also by the fact that Grant was able to assume the offensive again against Lee. The democratic convention in Chicago caused but a temporary reaction, so that the average value of currency for the month was $5.50 above that of August.

During October the appreciation continued, for Grant gained some ground against Lee; Sheridan demolished Early's army at Cedar Creek; Hood, coming north from Atlanta, was repulsed at Altoona pass; and the Albemarle and Florida, two notorious southern cruisers, were destroyed. In November came a curious reaction, due to the presidential election. Mr. Lincoln's election was taken to mean an indefinite continuation of the war, and naturally this idea lessened the value of the government's notes.

The interrupted rise recommenced in December, when Hood's army was destroyed at the battle of Nashville, and Sherman

[1] Compare the New York *World* of July 6, 1864.

[2] On the operation of the "gold bill" see MEDBERRY, *Men and Mysteries of Wall Street*, pp. 250 ff.; SCHUCKERS, *Life of Chase*, chap. 36; BOLLES, *Financial History of the United States*, 1861–1885, pp. 140-47.

accomplished his march to the sea and captured Savannah. The favorable effect of these great successes was partially neutralized by General Butler's failure to take Fort Fisher, by a call for 300,000 more troops, by the disappointment in Secretary Fessenden's finance report, and by a curious bill introduced into the house of representatives by Thaddeus Stevens imposing penalties upon anyone who should pay more than its face value for gold coin and less than its face value for paper money.[1]

In January the only important event was the final capture of Fort Fisher. But this, together with peace rumors, sufficed to continue the gradual rise of the currency. During February Charleston and Wilmington fell, and Grant beat off an attack made upon his lines by Lee. The failure of the "peace conference" at Hampton Roads was depressing. Still, the rise continued, so that the currency finally regained the level which it had held in October before the relapse caused by the election.

In March the very slow rate of appreciation suddenly became very rapid, because of the opening of the spring campaign. Word came March 14 from Sherman, who had not been heard from since early in February, that his army had safely reached Laurel Hill, in North Carolina; and later came reports of his victories of Averysboro and Bentonville. Meantime Sheridan joined Grant before Petersburg. Lee's position becoming desperate, he made a last assault upon the encompassing lines, but was driven back. Then Grant commenced the advance that was to end the war. In Washington, President Lincoln's second inauguration occurred, and Senator Fessenden was replaced by Mr. Hugh McCulloch as Secretary of the Treasury. All this was favorable, and the average value of currency for the month was $8.80 higher than it had been in February.

In the first two weeks of April matters culminated with the victory of Five Forks, the capture of Petersburg and Richmond, Lee's retreat and surrender. A little later Sherman took

[1] The full text of this bill may be found in the New York *Tribune*, December 10, 1864. For its effect upon the gold market see *ibid.*, money articles, December 6 and 7.

Raleigh, and Johnson's army capitulated. President Lincoln's death was the one untoward event. Notwithstanding it the currency gained $9.80 over March.

During May there was a further advance of $6.40 above the average for April. Armed resistance ceased, President Davis was captured, and the war was over. Moreover, McCulloch commenced the negotiation of the great 7–30 loan to pay the army, and met with remarkable success. In these last three months of the war there was an appreciation above February of $25.00.

6. *Decline from June to December 1865.*

After the war was over, the gold market became calm, indeed, compared with what it had been. Great fluctuations gave place to slight variations from day to day. A reaction naturally followed on the first joy caused by the cessation of hostilities. May 11 marked the high-water point—$77.82. After that there was a slow decline. Although the 7–30 loan was readily subscribed, it led to a great increase of the debt. Moreover, there was some danger of war with France because of Napoleon's maintenance of Maximilian in Mexico. By November the currency had depreciated $5.70 below the level for May.

December brought a slight reaction, due to Mr. McCulloch's finance report recommending a speedy resumption of specie payments and the warm indorsement of this policy by the house of representatives.

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